

LETTER

FROM

THE SECRETARY OF THE TREASURY,

TO

THE CHAIRMAN

OF THE

COMMITTEE ON THE NATIONAL CURRENCY,

ACCOMPANYING

A B I L L

REGULATING

The currency within the United States ; of the gold coins of Great Britain,
Portugal, France, and Spain ; and of certain silver
coins of France.

March 20th, 1816,
Read, and Ordered to be Printed.

WASHINGTON :**PRINTED BY WILLIAM A. DAVIS.**

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1816.

Treasury Department 17th March, 1816.

SIR,

I have the honour to acknowledge the receipt of your letter of the 15th instant, proposing two subjects for inquiry: 1st, Whether it would be expedient, at the present time, to make the gold coins of France, England, Portugal, and Spain, and the crowns of France, part of the legal currency of the United States? and 2dly, What is the actual value of those coins, respectively?

1. The lawful money of the United States, under the existing laws, consists of the coins of the United States, and of Spanish dollars and parts thereof. The coins of other descriptions, which have circulated in the United States of late years, have not been very considerable in amount, and have consisted, principally, of Spanish gold coins. But these, since the expiration of the act of the 10th of April, 1806, have, for the most part, borne, in all transactions into which they have entered, their true character of bullion, and have been bought and sold as such. As it might, however, be the means of facilitating the resumption of specie payments, and of continuing them, until a more competent supply of the coins of the United States than now exists could be furnished, it appears to be expedient to revive, for three years, the act of the 10th of April, 1806, by which the coins you have mentioned were made a part of the legal currency of the United States; varying, however, the rates of the coins so as to fix them at what they have been ascertained to be actually worth, compared with the coins of the United States.

2. The following may be considered as the result of repeated assays made at the mint; which have been, heretofore, annually reported to Congress:

The gold coins of Great Britain and Portugal are uniformly of the same quality, and of the same standard as the gold coins of the United States. Their intrinsic value, therefore, is at the rate of 100 cents for 27 grains, or $88\frac{2}{9}$ per dwt.

The gold coins of France, of the new stamp, are very nearly of uniform quality, and are of the intrinsic value of 100 cents for $27\frac{1}{2}$ grains, or $87\frac{1}{4}$ cents per dwt.

The gold coins of Spain are more variable in their quality: their average intrinsic value is at the rate of 100 cents for $28\frac{1}{2}$ grains, or 84 cents per dwt.

The crowns of France, struck prior to the revolution, are of the intrinsic value of $117\frac{6}{10}$ cents per ounce, or 110 cents for each crown weighing 18 dwt. 17 grs. The five-franc piece of Napoleon, (and its divisions in proportion,) is of the intrinsic value of 116 cents per ounce, or $93\frac{3}{10}$ cents for each five-franc piece weighing 16 dwt. 2 grs.

I have the honour to be,
very respectfully,
Sir,

Your most ob't servant,

A. J. DALLAS.

*The hon. John C. Calhoun,
Chairman of the Committee on the
National Currency.*

LETTER

From the Secretary of the Treasury to the Chairman of the Committee on the National Currency, in reply to inquiries by said Committee as to the practicability and expediency of collecting the dues of Government in gold, silver, and copper coin, treasury notes, and the notes of such banks as pay specie for their Bills.

April 6th, 1816.

Laid before the House by the Chairman of the Committee on the National Currency, and committed with the Bill "for the more effectual collection of the Public Revenue in the lawful money of the United States," to a committee of the Whole House on Monday next.

Treasury Department, 19th March, 1816.

SIR,

I have the honour to acknowledge the receipt of your letter dated the 15th instant, making the following inquiries, on behalf of the committee on the National Currency :

- 1st, "Is it practicable or expedient, at present, to collect the dues of government in gold, silver, and copper coins, treasury notes, and the notes of such banks as pay specie for their bills?"
- 2d, "If this be not practicable or expedient, at present, when ought an act directing the dues of government to be so paid, to go into effect, and what ought to be the provisions of such an act?"
- 3d, "Would it be expedient after the 1st of November next, or at any other time, to increase

the duties on stamps on the notes of such banks as do not pay in specie?

4th, "Are there any other measures that would be expedient to resort to for that purpose?"

As a brief consideration of the general subject of your letter will afford the best foundation for specific answers to the questions which have been proposed, I pray the indulgence of the committee in the adoption of that course.

When the banks, during the summer of 1814, suspended the payment of their notes in coin, the treasury notes which had been issued were manifestly incompetent, both in amount and credit, to constitute a substitute for the metallic currency. A declaration, therefore, at that time, that the government would only accept, in payment of the revenue, gold and silver, treasury notes, or bank notes payable on demand in coin, would been equivalent to a denial of the means for paying the duties and taxes, at the very crisis that rendered indispensable a strict enforcement of the obligation to pay them. Nor could such a declaration have been properly applied to the loans which the necessities of the Treasury required. A subscription in coin was not to be expected; a subscription in treasury notes could not yield any active aid for general purposes; and consequently a subscription in the local currencies of the several States must have been contemplated as the chief resource for procuring the public supplies, as well as for discharging the public engagements. Under a sense, therefore, of the necessity which seems, for a time, to have reconciled the whole nation to the suspension of payments in coin, the Treasury continued to receive bank notes, in satisfaction of every public claim and demand; and Congress, after a session of six months, adjourned

on the 3d of March, 1815, without intimating any objection, or making any provision, upon the subject.

The same state of things continued throughout the year 1815; in the annual estimates communicated to Congress, at the commencement of the present session, it was stated, that the aggregate amount, which would, probably, be realized and received at the treasury during 1815, from revenue and loans, might be placed at the sum of about \$ 30,400,000. But the gross amount of treasury notes issued and unredeemed in 1815, could not be averaged higher than \$ 16,000,000; and the amount, in actual circulation, must be taken at a much less sum; for, whenever and wherever the treasury notes arose to par, and above par, they were, for obvious reasons, withheld from the ordinary uses in exchange. Nor was it in the power of the treasury to augment the issue of treasury notes, beyond the immediate demand for fiscal purposes. Treasury notes have not, hitherto, been regarded by the law, as a substitute for the national currency, and the authority to issue them is only granted, as an auxiliary for supplying the occasional deficiencies of the revenue. In the New-England States alone, the banks still professed to pay their notes upon demand, in gold and silver; but, in fact, the issues of bank notes, in that quarter, have proved inadequate to meet the wants of the community; and the revenue is almost entirely collected in treasury notes, which have been purchased at a considerable discount. It is certain, therefore, that neither treasury notes, nor circulating coin, nor the notes of banks paying in coin, could furnish in 1815, a sufficient medium, to satisfy the amount of the duties, taxes, and loans, for the year. But it is important here to

add, that while the interior of the country was as destitute of a currency in coin, as the cities and towns upon the Atlantic, the treasury-note medium was, in effect, monopolized by the commercial cities; and the local banks furnished all the means which the planter, or the farmer, could collect for the payment of his rent or his tax.

During the year 1815, the effects of the late war upon public and private credit, were still felt; and the extraordinary event, which involved Europe in a new conflict, threatened a continuance of the drain upon our gold and silver; to be augmented, according to a general apprehension, by the force of an unfavourable balance of trade. Under such circumstances, the restoration of the national currency of coin, could not cease to be desirable; but it must become more difficult in the accomplishment. The alternative issue of the measure deserved, therefore, the most serious consideration; and it was to be determined, not only upon views of fiscal interest and accommodation; but upon principles of national policy and justice. The consequences of rejecting bank notes, which were not paid on demand in coin, (if such payments were not thereby rendered general,) must have been to put at hazard the collection of the revenue, in point of time, and in point of product; to deteriorate (if not to destroy) the only adequate medium of exchange, adopted by the common consent of the nation, in a case of extreme necessity; and, in short, to shake the very foundations of private property; the powers of the treasury department were granted, for purposes contemplated by the legislature in making the grant; but it is not believed, that a case attended with circumstances so extraordinary, embracing interests so extensive, and involving consequences so important, was, at

any time, anticipated by the legislature; or that it could be properly subjected to any other than the legislative agency. Having, therefore, made several ineffectual attempts to relieve the public embarrassments, it was deemed the duty of the department to repose, with confidence, upon the wisdom and authority of Congress, for the application of a remedy suited to the malady of the times.

The period has arrived, when such a remedy may be safely and surely applied. The opinion expressed in the treasury report of the 6th of December last, is still however entertained, that the currency in coin cannot at once be restored; that it can only be restored through a gradual reduction of the amount, attended by an amelioration of the value of the existing paper medium, and that the measure of reform must originate with the State banks. It has been said, indeed, that those institutions have already begun the salutary work; that the amount of their discounts has been reduced; that the issues of their paper have been restricted; and that preparations are made for converting their capital of public stock into the more legitimate capital of gold and silver. Public confidence must naturally follow these just and judicious arrangements; but the interposition of the government will still be required, to secure a successful result.

It must at all times be a delicate task, to exact the payment of duties and taxes in gold and silver, before the treasury is prepared, independent of any contingency, to give an assurance that the public creditors shall be paid in the same or an equivalent medium. If, however, a national bank be now established, this assurance may be confidently given; and it is believed that the apprehension will prove unfounded, which suggests that the issue of bank paper will be increased, and

consequently will depreciate by the operation of such an institution. A demand for the paper of the national bank may diminish the demand for the paper of the State banks, but after the restoration of the currency in coin, the whole issue of bank paper will be regulated by the whole demand ; and the proportions of the issue to be enjoyed by the national bank and the State banks, respectively, will be the subject of a fair competition, without affecting the public interests or convenience. If, therefore, the State banks have resumed the payment of their notes in coin, before the National Bank shall be organized, there will be no hazard of disappointment in promising a similar payment to the public creditors ; but even if that be not the case, the hazard will be slight, considering all the legislative precautions which it is proposed to adopt. Added to the metallic capital of the National Bank, the deposit of the revenue, collected in gold and silver, must be a sufficient basis for a circulation of coin ; as the uses for the paper of the bank, extending throughout the nation, will be constant as well as uniform.

Under these general impressions I have the honour to submit the specific answers to your inquiries, in the following form :

1. That it be made by law the duty of the secretary of the treasury to give public notice that from and after the 31st day of December next, it will not be lawful to receive in payments to the United States, any thing but gold, silver, and copper coins, constituting the lawful national currency : provided, that the secretary of the treasury may, as heretofore, authorize and allow the receipt of the notes of such banks as shall pay their notes, on demand, in the lawful money of the United States.

2. That from and after the same day, it shall not be lawful for the secretary of the treasury to authorize or allow deposits of the revenue to be made, or to be continued, in any bank which shall not pay its notes, when demanded, in the lawful money of the United States.

3. That from and after the same day it shall be the duty of the secretary of the treasury to take legal measures for obtaining payment, in the lawful money of the United States, of all notes or sums on deposit, belonging to the United States, issued by or deposited in any bank which shall not then pay its notes and deposits, on demand, in the lawful money of the United States.

4. That from and after the same day, the notes of banks and bankers, shall be charged with a graduated stamp duty, advanced at least 200 per cent. upon the present duty, without the privilege of commutation; saving, in that respect, all existing contracts: *Provided*, that if any banks or bankers shall, on or before the 1st of November next, notify the secretary of the treasury, that their notes will be paid in coin, upon demand, after the 31st of December; and if it be proved to his satisfaction, that after that day payment was so made, then, with respect to such banks or bankers, the rate of duty, and the privilege of commutation, shall remain, as now established by law.

Although the success of these measures is not in any degree doubted, it may be proper to add, that if it ever shall become necessary to increase their force, provision might be made, under the constitutional power of Congress, to subject all banks and bankers, failing to pay their notes, according to the terms of the contract, to a seizure of their estates and effects, for the benefit of their creditors, as in a case of legal bankruptcy.

I cannot conclude this letter, without an expression of some solicitude, at the present situation of the treasury. The State banks have ceased to afford any accommodation for the transfer of its funds. The revenue is paid (as already stated) in treasury notes, where treasury notes are below par; and the public engagements can only be satisfactorily discharged in treasury notes, which are immediately funded at 7 per cent. Where treasury notes are above par, the local accumulation of bank credits is beyond the local demands, and the excess cannot be used elsewhere. Discontent and speculation are abroad; and all the estimates of the amount of the funded debt, created since the commencement of the late war, will probably fail, unless the wisdom of Congress shall effectually provide, for the early restoration of an uniform national currency.

I have the honour to be, sir,

Very respectfully,

Your most obed't servant,

A. J. DALLAS.

The Hon. J. C. Calhoun,
Chairman of the Committee
on the National Currency.